

The economic establishment in this country has come to the conclusion that it is not a matter of "if" the United States must intervene in the bailout of the euro, but simply a question of "when" and "how". Newspaper articles and editorials are full of assertions that the breakup of the euro would result in a worldwide depression, and that economic assistance to Europe is the only way to stave off this calamity. These assertions are yet again more scare-mongering, just as we witnessed during the depths of the 2008 financial crisis. After just a decade of the euro, people have forgotten that Europe functioned for centuries without a common currency.

The real cause of economic depression is loose monetary policy: the creation of money and credit out of thin air and the monetization of government debt by a central bank. This inflationary monetary policy is the cause of every boom and bust, yet it is precisely what political and economic elites both in Europe and the United States are prescribing as a resolution for the present crisis. The drastic next step being discussed is a multi-trillion dollar bailout of Europe by the European Central Bank, aided by the IMF and the Federal Reserve.

The euro was built on an unstable foundation. Its creators attempted to establish a dollar-like currency for Europe, while forgetting that it took nearly two centuries for the dollar to devolve from a defined unit of silver to a completely unbacked fiat currency note. The euro had no such history and from the outset was a purely fiat system, thus it is not surprising to followers of Austrian economics that it barely survived a decade and is now completely collapsing. Europe's economic depression is the result of the euro's very structure, a fiat money system that allowed member governments to spend themselves into oblivion and expect that someone else would pick up the tab.

A bailout of European banks by the European Central Bank and the Federal Reserve will exacerbate the crisis rather than alleviate it. What is needed is for bad debts to be liquidated. Banks that invested in sovereign debt need to take their losses rather than socializing those losses and prolonging the process of adjusting their balance sheets to reflect reality. If this was done, the correction would be painful, but quick, like tearing off a large band-aid, but this is necessary to get back on solid economic footing. Until the correction takes place there can be no recovery. Bailing out profligate European governments will only ensure that no correction will take place.

A multi-trillion dollar European aid package cannot be undertaken by Europe alone, and will require IMF and Federal Reserve involvement. The Federal Reserve already has pumped trillions of dollars into the US economy with nothing to show for it. Just considering Fed

involvement in Europe is ludicrous. The US economy is in horrible shape precisely because of too much government debt and too much money creation and the European economy is destined to flounder for the same reasons. We have an unsustainable amount of debt here at home; it is hardly fair to US taxpayers to take on Europe's debt as well. That will only ensure an accelerated erosion of the dollar and a lower standard of living for all Americans.